

Message Text

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PAGE 01 ROME 07465 222328Z
ACTION EB-04

INFO OCT-01 SS-04 ISO-00 EUR-03 NSC-04 TRSE-00 CEA-01
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R 211624Z APR 78
FM AMEMBASSY ROME
TO SECSTATE WASHDC 2289
TREASURY DEPT WASHDC

C O N F I D E N T I A L ROME 7465

LIMDIS GREENBACK

E.O. 11652: GDS
TAGSGC EFIN, IT
SUBJECT: EXCHANGE MARKET DEVELOPMENTS

1. THE DOLLAR HAD ANOTHER POSITIVE DAY TODAY (APRIL 21)
AGAINST THE LIRA. IT CLOSED AT 867.55, UP FROM YESTERDAY'S
865.35. THE BANK OF ITALY SUPPORTED THE LIRA FOR A
SMALL AMOUNT, AND ACTIVITY WAS FAIRLY HEAVY FOR FRIDAY.

2. IT APPEARS THAT THE STRENGTHENING OF THE DOLLAR
DURING THE PAST TWO DAYS HAS TRIGGERED COMMERICAL BANKS
TO UNWIND PART OF THEIR FOREIGN POSITION. WHILE THERE
ARE NO HARD FACTS TO SUBSTANTIATE THIS, IT IS THE "FEEL"
OF THE BANK OF ITALY THAT THIS HAS BEEN ONE SOURCE OF
INCREASED DEMAND FOR DOLLARS. GIVEN THE IMPORTANCE OF
EXCHANGE RATE EXPECTATIONS IN DETERMINING THE LEVEL OF
FOREIGN BORROWING BY COMMERICAL BANKS, A PARTIAL
UNWINDING OF THEIR FOREIGN POSITION IN THE FACE OF A
STRENGTHENING DOLLAR WOULD APPEAR TO BE A NATURAL
CONSEQUENCE. GARDNER

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Message Attributes

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